

# ***FYI – For Your Information***

## ***Alternative Fuels Rebate***

### **ALTERNATIVE FUEL REBATE**

An alternative fuel vehicle rebate is available to the State of Colorado, political subdivisions of the state, and tax exempt organizations (hereafter referred to as “qualifying entities”) that own an alternative fuel vehicle that is used in connection with the business or official activities of the entity and is titled and registered in the state of Colorado (§39-33-102, C.R.S.). This FYI covers the rebate available for acquisition and conversion costs incurred on or after July 1, 2009.

In order to qualify, a motor vehicle (hereafter referred to as “qualifying vehicles”) must:

- Use or be converted to use an alternative fuel;
- Have its power source replaced with a power source that uses an alternative fuel;
- Be a hybrid vehicle;
- Be or be converted to a plug-in hybrid electric vehicle;
- Be modified to include idling reduction technology.

### ***Definition of Alternative Fuel***

Alternative fuel means compressed natural gas, propane, ethanol, or any mixture of ethanol containing eighty-five percent or more ethanol by volume with gasoline or other fuels, electricity, or any other fuels, which fuels may include, but are not limited to, clean diesel and reformulated gasoline so long as these other fuels make comparable reductions in carbon monoxide emissions and brown cloud pollutants as determined by the air quality control commission.

### ***Categories of Qualifying Vehicles***

Qualifying vehicles are divided into six categories:

- **CATEGORY 1:** Motor vehicles that comply with Bin 1 of the federal Tier 2 emissions standards. This includes, but is not limited to, electric vehicles, plug-in hybrid vehicles and hydrogen fuel cell vehicles.
- **CATEGORY 2:** Diesel-electric light duty passenger vehicles with a minimum fuel economy of 70 miles per gallon.
- **CATEGORY 3:** Light duty passenger vehicles, light and medium duty trucks converted to diesel-electric vehicles. The conversion must produce a 40 percent increase in fuel economy of the vehicle.
- **CATEGORY 4:** Light duty passenger vehicles, light and medium duty trucks powered by compressed natural gas, either as manufactured or by conversion.
- **CATEGORY 5:** Idling reduction technologies either factory installed or later added to heavy duty trucks. This includes idling reduction devices that provide those services (such as heat, air conditioning, or electricity) that would otherwise require the operation of the main drive engine while the vehicle is temporarily parked or remains stationary and advanced insulation with a minimum R value of R35 per inch.
- **CATEGORY 6:** Motor vehicles that comply with Bin 2 or 3 of the federal Tier 2 emission standards with a fuel economy of 40 miles per gallon or miles per gallon gasoline equivalent or greater. This includes, but is not limited to, the Toyota Prius, Honda Civic Hybrid and Honda Insight.



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1375 Sherman St.  
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Forms and other services:  
(303) 238-FAST (3278)  
Assistance:  
(303) 238-SERV (7378)  
Fuel Tax: (303) 205-5602  
[www.taxcolorado.com](http://www.taxcolorado.com)

Bin numbers and fuel economy for vehicles not mentioned in this FYI can be found online at <http://www.epa.gov/otaq/>. Click the link for “green vehicles” under the heading “Quick Finder” and enter the year, state, make and model of vehicle in question.

### ***Computation of Rebate***

The rebate is a percentage of:

- a) the difference between the cost of the vehicle and the cost of the same or most similar vehicle that uses a traditional fuel, or
- b) the difference between the cost of replacing the power source and the cost of the same or most similar power source that uses a traditional fuel, or
- c) the cost incurred in converting the vehicle to a fuel system that uses an alternative fuel, or
- d) the actual cost incurred in purchasing idling reduction technologies, or
- e) the actual cost of converting the vehicle from a hybrid vehicle to a plug-in hybrid electric vehicle.

In a) and b) above, if the cost of the traditional fuel option is greater than or equal to the cost of the alternative fuel option, the rebate will be \$0.

The cost used in the computations described above must be reduced by any credits, grants, or rebates, including federal credits, grants, or rebates for which the purchaser is eligible. For example, if a non-profit entity purchases a 2010 Honda Insight with an incremental price difference of \$3,480 (see page 3) and receives a \$3,500 rebate from the federal CARS program, the cost difference for the

computation of the state rebate will be reduced to zero and no rebate will be granted.

In the event that the qualifying vehicle is not used solely and exclusively for business and official activities of the qualified entity, the amount of the rebate allowed will be prorated in proportion to the percentage of time during the calendar year that the motor vehicle is used for business or official activities of the entity.

### ***Rebate Application***

A qualified organization must file an application, Form DR 0168 “Alternative Fuels Rebate,” to request a rebate. The application must be filed within twelve months after the end of the month in which the qualified organization either obligates itself to make a purchase or pays for such purchase. Rebates will be granted in the order in which applications are received. The granting of any rebate will be contingent upon sufficient moneys within the alternative fuels rebate fund as appropriated by the general assembly.

### ***Limitations***

No more than one rebate shall be granted for each qualifying vehicle, regardless of subsequent improvements, enhancements or conversions, except that qualified entities who received a rebate in a previous year for the purchase of model year 2004 and later hybrid vehicles are eligible to apply for an additional rebate for the conversion of such a hybrid vehicle to a plug-in hybrid electric vehicle.

Each qualified entity is limited to \$350,000 per state fiscal year in total rebates paid.

The percentage of the rebate depends upon the category of the qualifying vehicle and the date upon which the costs were incurred.

Category	Costs incurred between July 2009 and June 2010	Costs incurred between July 2010 and June 2011	Costs incurred between July 2011 and June 2012	Costs incurred between July 2012 and June 2013	Costs incurred between July 2013 and June 2015
1	85%	75%	75%	75%	75%
2	65%	45%	25%	15%	15%
3	75%	55%	35%	25%	25%
4	75%	55%	35%	25%	25%
5	25%	25%	25%	25%	25%
6	75%	10%	10%	0%	0%

### ***Used Vehicles***

As a vehicle may only be eligible for one rebate, the purchase of a used vehicle will only qualify for the rebate if the prior owner(s) did not previously claim a rebate or income tax credit for the vehicle.

Consequently, in order to claim a rebate for the purchase of a used vehicle the rebate application must include:

a) a vehicle history report or other documentation reflecting prior ownership and registration, and

b) detail of the cost difference used in computing the rebate and the basis upon which it is computed. The cost difference will usually decrease ratably with the decrease in the value of the vehicle. For example, if the price paid for the used vehicle is 40% of the original MSRP, then the rebate will be 40% of the rebate that was available for that vehicle when new.

### ***Leased Vehicles***

A qualifying entity that leases a qualifying vehicle may claim a rebate for that vehicle. The available rebate is calculated by subtracting the value of the vehicle when the lease expires from the cost of the vehicle to the lessor at the time of the lease transaction (capitalized cost), and dividing that amount by the cost of the vehicle to the lessor at the time of the lease transaction. This percentage is then multiplied by the qualifying expenses to determine the amount of the expenditure that can be used in computing the amount of the rebate.

**Example:** A qualified entity leases a 2009 Toyota Prius valued at \$22,600. The vehicle will have a value of \$7,100 when the lease expires. The credit is computed as follows:

- a. Value at time of lease \$22,600
- b. Value at end of lease \$ 7,100
- c. Line a minus Line b \$15,500
- d. Line c divided by Line a 68.58%
- e. Full credit for vehicle \$ 2,744
- f. Credit available on lease line d times line e \$ 1,882

### ***Definitions***

“Light Duty Passenger Vehicle” means a private passenger vehicle, including vans, capable of seating twelve passengers or less, except that the term does not include motor homes or vehicles designed to travel on three or fewer wheels in contact with the ground.

“Light Duty Truck” means a truck between zero and fourteen thousand pounds.

“Medium Duty Truck” means a truck weighing between fourteen thousand and twenty-six thousand pounds.

“Motor Vehicle” means any self-propelled vehicle required to be licensed or subject to licensing for operation upon the highways of this state.

“Miles per gallon gasoline equivalent” means the standard unit of measure that measures how many miles an alternative fuel vehicle can travel on the equivalent energy of one gallon of traditional fuel.

### ***Common Qualifying Vehicles***

The following list is not exhaustive and includes only vehicles from model year 2009 and later. Additional vehicles and vehicles from prior years may also qualify.

#### **Honda Insight**

2010 Honda Insight

Category 6

Incremental price difference \$3,480

#### **Honda Civic Hybrid**

2009 Honda Civic Hybrid

Category 6

Incremental price difference \$3,520

#### **Toyota Prius**

2009 Toyota Prius

Category 6

Incremental price difference \$3,659

For costs incurred prior to July 1, 2009, see FYI Income 9 “Alternative Fuel Income Tax Credits.”

***FURTHER INFORMATION***

FYIs, commonly used forms and additional tax information are available on the Web at *www.taxcolorado.com*

For additional tax information visit the “Tax Information Index” at *www.taxcolorado.com*

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having authority to bind the Department, has not formally reviewed and/or approved these FYIs.